

Service Date: September 25, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER Of The Application)
Of PACIFICORP dba PACIFIC POWER)
& LIGHT COMPANY For An Order)
Authoring It (1) To Borrow The Proceeds)
Of Not More Than \$90,000,000 Of)
Pollution Control Revenue Bonds To)
Be Issued By The Counties Of Sweet-)
water And Converse, Wyoming, and (2))
To Enter Into Other Agreements Necessary)
To Effect The Borrowings.)

UTILITY DIVISION
DOCKET NO. 84.8.47
DEFAULT ORDER NO. 5086

On August 31, 1984, PacificCorp* dba Pacific Power & Light Company (Pacific), a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing Pacific to: (1) borrow the proceeds of not more than \$90,000,000 in aggregate principal amount of pollution control revenue bonds (Bonds) and (2) to enter into agreements to assume, secure, and otherwise assure payment of the obligations for the Bonds.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance and guarantee of securities by electric and gas utility companies operating within Montana.

*On June 15, 1984, Pacific Power & Light Company officially changed its name to PacificCorp. For its utility operations in all jurisdictions, PacificCorp uses the assumed business name, Pacific Power & Light Company.

For detailed information with respect to the general character of Pacific's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on September 24, 1984, there came before the Commission for final action the matters and things in Docket No. 84.8.47 , and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.

2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and water service in Montana.

3. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

4. Notice of the application was published as a part of the Commission's regular weekly agenda.

5. Pacific proposes (a) to borrow the proceeds of not more than \$90,000,000 in aggregate principal amount of pollution control revenue bonds to be issued by the Counties of Sweetwater and Converse, Wyoming (Counties) and (h) to enter such agreements or arrangements as may be reasonably necessary to effect the borrowings with the Counties and with other entities pursuant to which Pacific will assume obligations or liabilities as guarantor, surety, or otherwise with respect to the payment of the principal of, the interest on, and the premium (if any) on the Bonds and, as necessary, pledge, sell and leaseback, lease and leaseback, or otherwise lien or encumber Pacific's interest in certain pollution control facilities (Facilities) to collateralize any such liability or obligation.

6. The Bonds are being issued to refinance a portion of the cost of Pacific's interest in certain air and water pollution control and solid waste disposal facilities for the Jim Bridger and Dave Johnston Generating Plants, located near Rock Springs in Southwestern Wyoming and near Glenrock in Eastern Wyoming, respectively.

7. The Facilities consist principally of systems to remove and finally dispose of particulates and sulfur dioxide from flue gases and certain solid wastes. They are designed for the purpose of abating or controlling atmospheric and water pollutants or contaminants.

8. To accomplish this refinancing, Pacific will apply the proceeds from the Bonds to purchase and cancel fixed rate pollution control revenue bonds previously issued by the Counties to finance the Facilities. Pacific will acquire the fixed rate bonds through tender offers or market transactions.

9. Wyoming statutes and the internal Revenue Code permit local government agencies to issue bonds, the interest on which is not subject to federal income taxation for most bondholders, for the purpose of funding and refunding the costs of qualified pollution control equipment. The Counties will be asked to adopt appropriate resolutions providing for the issuance of the Bonds.

10. The Bonds will be issued pursuant to Indentures of Trust between the Counties and trustees. Pursuant to agreements between the Counties and Pacific, the proceeds from the sale of the Bonds, other than the accrued interest, will be loaned to Pacific to refinance the Facilities.

11. Under the agreements, Pacific will be obligated to pay absolutely and unconditionally, to the extent sufficient funds are not already in the possession of the trustees, the principal of, the interest on, the premium on (if any) the Bonds as well as certain fees and expenses of the Counties. Under no circumstances will the Bonds and their related costs become an obligation of the Counties.

12. To achieve a more favorable rating by the national bond rating agencies for the Bonds, Pacific may enter into guarantees, pledges, or other security agreements or arrangements to assure timely payment of amounts due in respect of the Bonds. Pacific may also enter into arrangements with unrelated parties pursuant to which those parties may lend additional credit

support to the Bonds.

13. Pacific expects to enter into a Reimbursement Agreements under which a bank or banks would issue letters of credit to support payments on the Bonds. Pacific would be required to reimburse the bank or banks for any drawings under the letters of credit. The cost of letters of credit obtained for the purposes is expected to approximate 0.60 percent per annum of the maximum commitment of the bank or banks. Amounts advanced under the letters of credit are expected to draw interest based upon the prime rate. Any letter of credit obtained is expected to have a term of approximately ten years, unless replaced by Pacific with an alternate credit facility.

14. Pacific believes, based on its experience in previous tax-exempt financings, that the interest savings from enhancing the credit rating of the Bonds will exceed the cost of the letters of credit or alternate credit arrangements; that is, the effective cost of the Bonds will be lowered by the credit enhancement arrangements.

15. Unlike Pacific's First Mortgage Bonds which are purchased by pension funds, profit-sharing funds, mutual funds, savings banks, and life insurance companies, tax-exempt municipal bonds are normally purchased by commercial banks, fire and casualty insurance companies, money market funds, bank trust departments, corporations, and individuals.

16. The Bonds are expected to be for not more than \$90,000,000 in aggregate principal amount. The exact amount of Bonds issued will depend upon the amount of fixed rate bonds which Pacific is able to acquire through its tender offers or market transactions.

17. The Bonds will be offered in variable rate form with an option to fix the interest rate. The Bonds will be substantially similar to the bonds issued on behalf of Pacific by the City of Forsyth, Montana; the County of Sweetwater, Wyoming; and the City of Gillette, Wyoming in 1981, 1983, and 1984, respectively, with the rate determined, and the interest payable, on a monthly basis. It is expected that, for the first interest period, the Bonds will bear interest at a rate to be negotiated, currently expected to approximate 6.5 percent per annum.

18. In the variable rate form, the Bonds may be offered for repurchase, at the option of the bondholder, at a purchase price equal to its principal amount, upon delivery to a remarketing

agent.

19. The remarketing agent shall offer the variable rate Bonds delivered to it for sale and shall use its best efforts to sell the Bonds on the next interest payment date. In certain cases, funds for the purchase of the Bonds may be provided by drawings upon the letters of credit which may trigger Pacific's obligation under the Reimbursement Agreements. The remarketing agent will be entitled to a fee approximating 0.25 percent of the principal amount of the Bonds delivered to it for remarketing.

20. Whether floating or fixed, the interest rates on the Bonds will be set based upon an index of similarly rated tax-exempt issues for the appropriate period.

21. The Bonds, the Indentures, and Reimbursement Agreements for the Bonds are expected to be dated as of October 1, 1984.

22. The tentative schedule for the Bonds is as follows:

EXPECTED SCHEDULE

<u>Event</u>	<u>Date</u>
Pricing	October 16, 1984
Offering Commences	October 17, 1984
Authentication, Delivery, and Closing	October 24, 1984

23. The results of the proposed financing, assuming issuance of the entire \$90,000,000 principal amount of the Bonds, are expected to be as follows:

ESTIMATED RESULTS OF THE FINANCING

	<u>Total</u>
Gross Proceeds	\$90,000,000
Less: Underwriting Fees Approximating 0.75%	<u>675,000</u>
Proceeds Payable to Pacific	\$89,325,000
Less: Other Expenses	550,000
Net Proceeds to Pacific	\$88,775,000

OTHER EXPENSES

Regulatory Agency Fees:	
Federal Energy Regulatory Commission	\$ 500
State Commissions	3,500
Trustee Fees	50,000
Pacific's Counsel Fees	50,000
Bond Counsel Fees	100,000
Underwriters' Counsel Fees	10,000
Accountants' Fees	20,000
Letter of Credit Bank Fees (other than annual LOC fee)	30,000
Rating Agency Fees (<i>S&P's</i> and <i>Moody's</i> only)	30,000
Regular Printing Fees	50,000
County Fees and Expenses	50,000
Miscellaneous	156,000
 TOTAL	 550,000

24. Each underwriter and/or remarketer chosen will have considerable experience in marketing securities of all types and will assist the Counties and Pacific in formulating their plans for the offering and remarketing. The underwriter and the remarketer will be recognized nationally as effective investment bankers and will be available for consultation on financial matters.

25. Pacific believes that the fees to be charged will be appropriate for the type of

transactions proposed and will not exceed the usual and customary fees for similar transactions. The fees to be charged are reasonable given the services supplied.

26. The Counties may also receive fees in connection with the offering of the Bonds, which fees will not be in excess of customary fees. The Counties' expenses will be paid by Pacific.

27. As the transactions proposed are part of a special purpose financing the interest on which is exempt from taxation to the holder, the proceeds must be used only for the Facilities. Therefore, the proceeds of the Bonds will be used, directly or indirectly, to refinance the Facilities.

28. The proposed arrangements are part of a plan to refinance the cost of the Facilities taking into consideration prudent capital ratios, earnings coverage tests, market uncertainties, and the relative merits of the various types of securities Pacific could sell or other financing it could arrange. In connection with obtaining the fixed rate bonds through a tender offer, Pacific would expect to pay approximately 0.5 percent of the principal amount tendered to the participating investment bankers. Pacific believes that the proposed refinancing will reduce the carrying cost of its share of the Facilities.

29. Given its current capital structure and the condition of the securities markets, Pacific believes that the proposed arrangements constitute the financing of choice to refinance the Facilities.

30. The issuance of an order authorizing the proposed issuance does not constitute agency determination/approval of any financing-related ratemaking issues, which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

The proposed financing to which the application relates will be for lawful objects within the corporate purposes of Pacific. The method of financing is proper. The application should be approved.

ORDER

IT IS THEREFORE ORDERED BY THE Commission that:

1. The application of PacifiCorp dba Pacific Power & Light Company, filed on August 31, 1984, for authority to:

- a. borrow the proceeds of not more than \$90,000 000 in aggregate principal amount of pollution control bonds to be issued by Sweetwater and Converse Counties, Wyoming; and
- b. enter into such agreements or arrangements as may be necessary to effect the borrowings with the Counties and other entities pursuant to which PacifiCorp dba Pacific Power & Light Company would assume obligations as guarantor, surety, or otherwise with respect to the payment of the principal of, the interest on, and the premium (if any) on the Bonds, and enter into such other arrangements as it may deem necessary or appropriate to secure or collateralize such liabilities or obligations

- - - all in connection with the refunding of obligations issued to finance certain air and water pollution control and solid waste disposal facilities at the Jim Bridger and Dave

Johnston Generating Plants, pursuant to Sections 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes is approved.

2. PacifiCorp dba Pacific Power & Light Company shall file the following information as it becomes available:

- a. A copy of the substantive closing documents.
- b. A copy of the final Official Statement.
- c. A certified copy of the resolutions approving the transactions.
- d. The "Report of Securities Issued" required by 18CFR34.10.
- e. A verified statement showing the disposition of proceeds in reasonable detail.

3. Issuance of this order does not constitute acceptance of the exhibits or other material accompanying the application of PacifiCorp dba Pacific Power & Light Company, for any purpose other than the issuance of this order.

4. Approval of the transactions authorized shall not be construed as precedent to prejudice any future action of this Commission.

5. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp dba Pacific Power & Light Company, pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

6. This order shall be effective upon execution.

DONE IN OPEN SESSION AT Helena, Montana, this 24th day of September, 1984, by a 5
to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

THOMAS J. SCHNEIDER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary

(SEAL)

NOTICE: Any interested party may request the Commission to reconsider this decision. A
motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.